

STATE OF NEW JERSEY  
DEPARTMENT OF EDUCATION

STATE AID/GRANT COMPLIANCE SUPPLEMENT

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**DEPARTMENT OF EDUCATION****State Aid – Public**

Core Curriculum Standards Aid	495-034-5120-022
Supplemental Core Curriculum Standards Aid	495-034-5120-023
Abbott Parity Remedy Aid	495-034-5120-042
Special Education Aid	495-034-5120-011
Bilingual Education Aid	495-034-5120-008
Stabilization Aid	495-034-5120-030
Stabilization Aid 2	495-034-5120-038
Stabilization Aid 3	495-034-5120-047
County Vocational Program Aid	495-034-5120-013
Adult and Post-Secondary Education Grants	495-034-5120-039
<u>Consolidated Aid</u>	<u>495-034-5120-057</u>

(See Section II-SA of The Audit Program issued by the Department of Education for a comprehensive listing of state aid accounts.)

I. PROGRAM OBJECTIVES

To establish a stable funding source for school districts in accordance with CEIFA for fiscal year 2003-04.

II. PROGRAM PROCEDURES

For Fiscal Year 2003-04, most state aid categories were level-funded based on funds disseminated in school year 2002-03. A new unrestricted aid category, Consolidated Aid, has been added for 2003-04 representing the combination of Distance Learning Network Aid, Academic Achievement Reward Aid, and Adult High Schools and Post-Graduate Programs Aid. For budgetary purposes, revenue amounts for state aid are shown on the 2003-04 SAINET printout (February 25, 2004 print) in the General Fund Aid section with the following exception:

- Payments of Abbott Parity Remedy Aid would have been adjusted during the current 2003-04 school year. Districts would have received a letter notifying them of the amount of adjustment for Abbott Parity Remedy Aid.

Auditors should ask the district staff for the most recent revision to the 2003-04 state aid.

For GAAP purposes, the amount of revenue reflected in the last state aid payment of 2002-03 (received July, 2003) is recognized as revenue for 2003-04. The last state aid payment of 2003-04 (received July, 2004) is not recognized as revenue until 2004-05.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

1. Compliance Requirements

Core Curriculum Standards Aid, Supplemental Core Curriculum Standards Aid, Abbott Parity Remedy Aid, Special Education Aid, Bilingual Education Aid, Stabilization Aid, Stabilization Aid 2, Stabilization Aid 3, County Vocational Program Aid, Adult and Postsecondary Education Grants, and Consolidated Aid are general fund revenue sources.

Suggested Audit Procedures

- Verify that aid received is recorded as general fund revenue on the district's accounting records and approved budget and that, if applicable, the accounting records reflect the accounts receivable for any aid category having an increase after adjustment.
- Verify that a district receiving Abbott Parity Remedy Aid deducted an amount equal to 2 percent of that aid to support required expenses. The district is required to budget for this purpose in account #11-190-100-800.

B. ELIGIBILITY

1. Compliance Requirements

The district must complete the Application for State School Aid (A.S.S.A.) in accordance with the instructions provided by the Division of Finance. The district must complete a set of workpapers that document the compilation of data and provide an audit trail for testing the enrollments reported on the A.S.S.A. The district must also have on file written procedures that provide a description of the count process. The workpapers and internal procedures must be maintained on file for seven years.

Suggested Audit Procedures

- In accordance with instructions and audit procedures in The Audit Program issued by the Department of Education, verify enrollments reported on the district's A.S.S.A. printout with the pupil counts on the district's workpapers.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

None.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirement

Expenditures, which exceed the bid or quote threshold, must be made in accordance with the requirements of the Public School Contracts Law (*N.J.S.A. 18A: 18A et seq.*). Please refer to Section I, Chapter 5, of The Audit Program, Bids & Contracts/Purchasing.

Suggested Audit Procedure

- Test expenditures to determine compliance with advertising for bids and obtaining quotes as required by *N.J.S.A. 18A: 18A-3, 18A-4 and 18A-37*.

2. Compliance Requirements

The Board Secretary and Treasurer of School Moneys must prepare and submit financial reports in accordance with *N.J.S.A. 18A: 17-9* and *N.J.S.A. 18A:17-36*, respectively.

Suggested Audit Procedures

- Review board minutes for acceptance of reports and the inclusion of the reports or a summary thereof.
- Verify the reports are in agreement with the financial records of the district.

3. Compliance Requirements

A district board of education shall not incur any obligation or approve any payment in excess of the amount appropriated by the district board of education in the applicable line item account or program category account. (*N.J.A.C. 6A:23-2.11*)

Suggested Audit Procedures

- Review budgetary appropriation ledger for over-expenditures.
- Review board minutes for approval of transfers and to assure transfers were approved prior to the overexpenditure of any line item account.

4. Compliance Requirement

For Abbott districts, the commissioner shall approve any transfer of funds from instructional accounts to non-instructional accounts. In addition, if the commissioner directs the reallocation of funds from or between instructional accounts or from or between non-instructional accounts in the proposed budget, the district shall not transfer any funds to or from those accounts that were subject to reallocation without prior approval of the commissioner. (*N.J.S.A. 18A:7F-6c*)

- Verify that the proper commissioner approvals were received for specific transfers of funds.

**DEPARTMENT OF EDUCATION**

**Transportation Aid**

495-034-5120-014

**I. PROGRAM OBJECTIVES**

To provide funding to school districts to provide transportation to and from school for all eligible public, nonpublic and special education students.

**II. PROGRAM PROCEDURES**

Transportation aid is “level funded” based upon the preceding year cash payments. Data from the District Report of Transported Resident Students (DRTRS) is used for purposes such as the district’s transportation efficiency rating.

**III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

**A. TYPES OF SERVICES ALLOWED OR UNALLOWED**

**1. Compliance Requirements**

State aid is provided for transporting high school pupils residing in excess of 2 1/2 miles from school, and for elementary pupils residing in excess of 2 miles from school. The mileage requirements do not apply to special education students when transportation is required by the student’s I.E.P. (*N.J.A.C. 6A: 27-5.1*). Aid is only provided for transporting students to and from school. (*N.J.A.C. 6A:27-1.2.*)

**Suggested Audit Procedure**

- Review district procedures used to determine that the student counts are correct and that students transported meet the mileage requirements for to and from school.

**2. Compliance Requirements**

School districts shall provide transportation or Aid in Lieu of Transportation, to eligible students in nonprofit private schools, based upon proper registration and certification of attendance by the nonprofit private school. (*N.J.A.C. 6A:27-2.4.*). Districts were notified in June 2004 of the amount to be received in July 2004 for additional nonpublic school transportation aid and instructed to record this as Other State Aid, account 10-3190 in 2003-04.

Suggested Audit Procedures

- Verify the district has properly completed B6T forms on file, completed by parent or guardian to register student for transportation. Verify attendance at private school by review of completed B8T forms. These forms must be completed whether or not a student is transported by the district, or if Aid in Lieu payments are made to the parent or guardian.
- Review the accounting records to determine that any additional nonpublic school transportation aid, if received, was properly recorded.

B. ELIGIBILITY

1. Compliance Requirements

The district must complete a District Report of Transported Resident Students (DRTRS) utilizing the data collection software. The district should either maintain a paper copy of the report produced by the software or the information can be viewed online utilizing the DRTRS data collection software. The district must also have on file written procedures that provide a description of the count process. The workpapers and internal procedures must be maintained on file for seven years.

Suggested Audit Procedures

- In accordance with instructions and audit procedures in The Audit Program issued by the Department of Education, verify the on-roll status of students reported on the DRTRS Eligibility Summary Report produced by the department with the pupil counts on the district's workpapers.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

None.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirement

The district must prepare transportation bid specifications for transportation services that meet the minimum requirements prescribed by *N.J.A.C. 6A:27-9.3*.

Suggested Audit Procedure

- Verify that specifications meet the requirements as prescribed by the administrative code.

2. Compliance Requirement

Bus purchases must be properly bid and awarded pursuant to *N.J.S.A. 18A:18A et seq.*

Suggested Audit Procedure

- Verify that bidding procedures for bus purchases comply with the Public School Contracts Law (*N.J.S.A. 18A:18A et seq.*). Please refer to Section I, Chapter 5 of The Audit Program, Bids & Contracts/Purchasing.

3. Compliance Requirements

All transportation contracts and renewals must be supported by a signed County Superintendent's Approval Memo and a certified copy of the board minutes approving the contract. Contracts may not be bid for a term exceeding four years. Contracts may be renewed annually with a negotiated "cost of living" increase not to exceed the current Consumer Price Index (CPI). For the 2003-04 school year, the CPI is 2.11%. The CPI increase is calculated on the prior contract cost. For the 2004-05 school year the CPI is 2.64 %. The contract cost is defined as the final cost to the board of education for those items included in the bid. (Please note that effective May 5, 2003, P.L.2003, c.69 amended this provision of *N.J.S.A. 18A:39-3* to clarify that the CPI increase when a contract is extended is based on the previous contract, not the original contract). In addition to this negotiated increase, contract renewals may also increase or decrease according to the terms of the original contract (such as additional mileage). An addendum to the contract (prescribed form) must be used for this type of change. (*N.J.S.A.18A:39-3*, amended by P.L. 2001, c.111, effective June 21, 2001 and P.L. 2003, c.69, effective May 5, 2003.)

Suggested Audit Procedure

- Verify that all contracts for transportation and renewals meet the requirements as prescribed by the administrative code.

4. Compliance Requirements

The district must advertise for bids to provide transportation for nonprofit private school students eligible to receive transportation services. However, the district is not required to advertise for bids when another board of education or Coordinated Transportation Services Agency (CTSA) has bid on the board's behalf, or they can provide transportation utilizing a district owned vehicle or through a contract renewal. If the district has advertised for bids, and no bids are received or the bids exceed the statutory limit of \$751 per pupil, the district must then delegate the bidding process to another Board of Education or Coordinated Transportation Services Agency (CTSA). If no bids are then received, or if the cost generated by those bids would exceed the statutory limit of \$751, the district may provide the parent or guardian with Aid in Lieu of Transportation. (*N.J.S.A. 18A:39-1* and *N.J.A.C. 6A:27-10.1*)

Suggested Audit Procedures

- Verify that the school district advertised for bids. If the district did not advertise for bids, verify that another board of education or CTSA advertised for bids on their behalf. If the district advertised for bids, but did not receive any qualified responses or the bids exceeded the statutory limit, verify that the district referred the bidding process to another Board of Education or CTSA, or that a CTSA provided the actual transportation services.
- If Aid in Lieu of Transportation payments were made to parents, verify that the lowest qualified bid received exceeded the state maximum of \$751, or that no bids were received pursuant to the solicitation by the district. Further verify that in this situation the district referred the bidding to a CTSA and the CTSA did not generate any qualified bids not in excess of the statutory limit.
- If the district is a constituent district and has costs for transportation of nonpublic pupils, verify that the regional district transports nonpublic school pupils. (The pupils below the grade level of the regional district are to be transported by the transporting regional district and the costs pro-rated among the constituent districts on a per pupil basis.)
- If the district is not a constituent district and provided transportation for nonpublic school pupils or aid in lieu of transportation for nonprofit private school students, verify that the only other transportation between home and school offered by the district is remote transportation for vocational school, charter schools, and special education students.
- Verify consistency between reported costs and student counts reported on the DRTRS summary report parts A and B line 5.



## DEPARTMENT OF EDUCATION

### Extraordinary Aid

495-034-5120-044

#### I. PROGRAM OBJECTIVES

##### Extraordinary Aid

The program objectives are to provide assistance to school districts in those instances in which the cost of providing education for individual pupils that have actual costs, excluding transportation costs, which exceed \$40,000 within a single fiscal year.

##### Additional Extraordinary Aid Designated for Tax Relief

Districts were notified in July 2003 of additional extraordinary aid. The 2003-04 State Budget required that districts use this additional extraordinary aid for property tax relief in either the 2003 or 2004 local tax year, which refers to either the 2003-04 or 2004-05 fiscal year, respectively.

#### II. PROGRAM PROCEDURES

The streamlined application process requires that districts complete one on-line form for each child that is eligible for aid. The Chief School Administrator must certify all applications on-line. The department's extraordinary aid application for 2003-04, and related instructions were available on-line at <http://homeroom.state.nj.us>. Instructions for establishing user accounts for on-line applications are available at <http://www.state.nj.us/njded/data/collections/>.

#### III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

##### A. TYPES OF SERVICES ALLOWED OR UNALLOWED

##### Compliance Requirements

Aid is provided to districts in those instances in which the cost of providing education for an individual pupil exceeds \$40,000. Only direct educational costs are allowable costs. Typical allowable costs include tuition and related services. All costs to implement the IEP are eligible (including the cost of litigation to implement the Least Restrictive Environment (LRE)). The costs of litigation must be pre-approved by the department to be eligible. Unallowable costs include transportation, administrative costs, and costs associated with the development of the IEP.

##### Suggested Audit Procedures

- Verify that actual allowable costs were incurred during the fiscal year 2003-04 for the purposes included in the application for extraordinary aid. Costs incurred for multiple years can not be combined in order to reach cost eligibility limits.
- Review pre-approval documentation for any litigation costs incurred.

B. ELIGIBILITY

Compliance Requirements

The district must complete the application process in accordance with the instructions provided by the Division of Finance. The district must also have on file supporting workpapers such as EXAID-1 for all in-district and out-of-district students, as well as an updated district “Budget Supporting Document 6B.2”. The application and supporting documentation must be maintained on file for seven years. For EXAID applications in 2003-2004, the applicant student must have a birthdate between 7/01/1982 to 6/30/2001.

Suggested Audit Procedures

- In accordance with sampling instructions for A.S.S.A testing in the Audit Program verify that the student is reported on the district’s School Register. Verify that the student name and birth date is reported correctly, i.e., agree to the school register. Verify that the student’s birthdate is between 7/01/1982 to 6/30/2001.
- Verify that the student is classified and in an approved placement.
- Verify that workpapers are in order and supported with cost documentation. In-district costs must be pro-rated if they are incurred for multiple students.
- For out-of-district placements to a private school for the disabled, verify that tuition stated in the application agrees to the contracted amount in the private schools for the disabled mandated tuition contract for the individual students.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

Compliance Requirements - Extraordinary Aid (2003-04)

Districts were notified of the amount of extraordinary aid in March 2004 and were instructed to record this as Other State Aid, account 10-3190 in 2003-04. The amount is reported on line E of the “2003-04 Extraordinary Aid” notice. Districts do not have the option to record this in any other fiscal year.

Suggested Audit Procedure - Extraordinary Aid (2003-04)

- Verify that the 2003-04 award is recorded in the correct account as revenue for 2003-04.

Compliance Requirement - Additional Extraordinary Aid Designated for Tax Relief

Districts were notified of the amount of the additional extraordinary aid for the purpose of property tax relief as shown on line F of the “2002-03 Extraordinary Aid – Revised” notice issued by the department in July 2003. In a July 25, 2003 letter from the department, districts were instructed to record the additional extraordinary aid in 2003-04 as Other State Aid’ in account 10-3190, regardless of which year the property tax reduction occurred. The July 2003 letter is available at <http://www.nj.gov/njded/finance/fp/af/extraordinaryaid.pdf>. The legislature, in the State Budget language, specifically directed districts to use the additional 2002-03 aid either to reduce the 2003-04 certified tax levy (2003 local tax year) or the 2004-05 certified tax levy (2004 local tax year). Districts had the option to reduce either general fund or debt service tax levy.

Districts which still had the option to adjust their A4F and the 2003-04 tax levy were permitted to revise and retransmit the revised 2003-04 budget reflecting the additional aid and lower tax levy.

Districts that were unable to achieve property tax relief in 2003-04 were instructed to record the additional aid as revenue in 2003-04 without any corresponding increase in appropriations. The surplus created by the additional revenue must be reserved and designated for tax relief in either the general fund or debt service fund in 2004-05. This is in addition to the normal excess surplus calculation.

Districts at the minimum tax levy in 2003-04 had no option but to record the additional aid as revenue in 2003-04, let it lapse to surplus and designate it for tax relief in 2004-05.

Suggested Audit Procedure - Extraordinary Aid (2003-04)

- Verify that the property tax relief portion of the 2002-03 award, line (F) of the “2002-03 Extraordinary Aid – Revised” notice, is recorded as revenue in 2003-04 in the correct account.
- Verify that the amount was used for tax relief in either 2003-04 or reserved and designated at June 30, 2004 for tax relief in 2004-05.

SPECIAL TESTS AND PROVISIONS

None.

**DEPARTMENT OF EDUCATION**

**Additional Abbott v. Burke State Aid (Supplemental Funding)**

495-034-5120-049

**I. PROGRAM OBJECTIVES**

To provide supplemental funding to an Abbott school district to maintain the effective and efficient programs, services and positions approved as part of the school district's 2002-03 budget. Maintenance means that an Abbott school district will be funded at a level that will enable it to continue implementing the current approved programs, services and positions and therefore includes actual documented increases in nondiscretionary expenditures.

**II. PROGRAM PROCEDURES:**

For the 2003-04 school year, the Abbott school districts had the option to apply for additional Abbott v. Burke state aid if, after preparation of the budget, the school districts found that anticipated local, state, and 100% of actual federal revenue budgeted in 2001-02 were insufficient to maintain current approved programs, services and positions.

The 2003-04 Appropriations Act again restricted undesignated general fund balances stating, "In making any adjustment to the discretionary award, the commissioner shall consider all of the district's available resources and any appropriate reallocations, including, but not limited to, a reallocation of the district's undesignated general fund balances in excess of two percent." In addition, all Abbott districts requesting additional supplemental funding were required to submit a separate written application with the district budget materials that clearly documented and justified the request for additional supplemental funding. The approved requests for additional funds were incorporated into the 2003-04 certified budget on line 284.

**III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

**A. TYPES OF SERVICES ALLOWED OR UNALLOWED**

**1. Compliance Requirement**

Abbott school districts were required to use additional Abbott v. Burke state aid to ensure the provision of a thorough and efficient education and implementation of court-ordered reforms in accordance with the approval of the budget and the school district's request for additional Abbott v. Burke state aid. Additional Abbott v. Burke state aid is general fund revenue.

Suggested Audit Procedure

- Review the final additional Abbott v. Burke state aid approval letter received from the Department.
- Agree the amount of aid recorded as general fund revenue on the school district's accounting records with the amount noted in the final Department approval letter.

B. ELIGIBILITY

1. Compliance Requirement

Abbott school districts were provided with additional Abbott v. Burke state aid to maintain the effective and efficient programs, services and positions approved as part of the school district's 2002-03 budget. Maintenance means that an Abbott school district will be funded at a level that will enable it to continue implementing the current approved programs, services and positions and therefore includes actual documented increases in nondiscretionary expenditures.

Suggested Audit Procedure

- Determine that undesignated general fund balance does not exceed 2 percent of general fund expenditures at June 30, 2004. Amounts calculated in excess of 2% that have not been appropriated in the 2004-05 original budget certified for taxes must be reported as general fund "Reserved Fund Balance – Excess Surplus" in the June 30, 2004 Comprehensive Annual Financial Report (CAFR) with appropriate footnote disclosure describing the nature of the amount. The calculation is required to be documented in the Auditor's Management Report.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

None.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirement

The budget was to be amended to reflect the final additional Abbott v. Burke state aid award as outlined in the final Department approval letter.

Suggested Audit Procedure

- Verify that the school district budgeted general fund surplus in excess of 2%, ECPA carryover, DEPA carryover and DLNA carryover at June 30, 2003 in the 2003-04 budget.
- For school districts receiving additional Abbott v. Burke state aid in 2003-04, parity aid adjustments were offset by increases or decreases, as appropriate, in additional Abbott v. Burke state aid. Final 2003-04 parity aid letters were dated February 25, 2004. Verify that this adjustment is properly reflected in the amount of additional Abbott v. Burke state aid recorded in the school district's accounting records.

**DEPARTMENT OF EDUCATION**

**Reimbursed TPAF Social Security Contributions**

495-034-5095-051

**I. PROGRAM OBJECTIVES**

To reimburse school districts for the employers' share of social security (FICA) contributions on TPAF members' regular wages.

**II. PROGRAM PROCEDURES**

School districts utilize the Department of Education Network (DOENET) to report FICA contributions for TPAF members' regular wages. Districts are reimbursed for the employers' share of FICA contributions calculated on TPAF members' regular wages via an electronic funds transfer (EFT) to the district bank account.

**III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

**A. TYPES OF SERVICES ALLOWED OR UNALLOWED**

**1. Compliance Requirements**

Reimbursement is provided for the employers' share of FICA contributions calculated on TPAF members' regular wages.

**Suggested Audit Procedure**

- Verify that only TPAF members' regular wages are utilized for reimbursement. FICA reimbursement is not made for extra compensation wages.

**B. ELIGIBILITY**

**1. Compliance Requirements**

Reimbursement is made for TPAF members only.

**Suggested Audit Procedures**

- Test that only TPAF members are included for reimbursement.

**C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS**

None.

**D. REPORTING REQUIREMENTS**

None.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirement

All applicable requests for reimbursement must be recorded by the district as revenue in the current school year and appropriate reimbursements requested and not received as of June 30 are to be recorded as an account receivable at the end of the school year.

Suggested Audit Procedure

- Verify that accounts receivable recorded as of June 30 were subsequently received in the next school year.



## DEPARTMENT OF EDUCATION

### Demonstrably Effective Program Aid

495-034-5064-002

#### I. PROGRAM OBJECTIVES

The program objectives are to provide instructional, school governance, and health and social service programs to pupils in the schools for which the aid eligibility and amount was determined. Demonstrably effective programs are those programs, strategies or services pursuant to *N.J.S.A. 18A:7F-18* that are established through state resources and are researched based or have demonstrated through strong, logical, empirical, research evidence that improvement in academic performance is educationally significant. These programs, strategies or services are either expressly identified in *N.J.S.A. 18A:7F-18* or are approved by the State Board in accordance with *N.J.A.C. 6A:23-5.5* or *6:8-9.8(b)*.

*Auditor's Note – This italicized section applies when auditing a district with whole school reform (WSR) schools implementing school based budgeting. Restricted State Aids, which are permitted to be combined in Fund 15 to implement WSR are DEPA, ECPA and DLNA (DLNA is limited to carryover as it has been combined into Consolidated Aid for 2003-04). See "Procedures for Auditing Fund 15 Expenditures" in the Abbott Addendum to The Audit Program for specific procedures to be performed when auditing districts with WSR schools.*

*A WSR program is not a separate Federal program as defined in OMB A-133, or a separate State program. Therefore, expenditures incurred in WSR programs must be included in the total expenditures of the program contributing the funds when determining Type A and Type B Programs for Single Audit testing selection determination. The Schedules of Expenditures of Federal and State Awards must include the total expenditures of the program funds for WSR schools and non-WSR schools.*

#### II. PROGRAM PROCEDURES

Under CEIFA, Demonstrably Effective Program Aid (DEPA) is generated by individual schools based upon their concentration of low-income pupils as reported on the annual Application for State School Aid (A.S.S.A.). Low-income pupils are pupils from households with a household income at or below 130 percent of the most recent federal poverty guidelines. Aid is only provided for districts with a concentration of low-income pupils equal to or greater than twenty percent. Additionally, CEIFA requires that county vocational school districts and limited purpose regional school districts meeting the criteria for Early Childhood Program Aid (ECPA) receive their aid as DEPA rather than as ECPA.

For Fiscal Year 2003-04, DEPA was level-funded based on funds disseminated in school year 2002-03. Districts' revenue is based upon 2002-03 cash payments. The budgetary revenue and GAAP revenue may differ due to state reporting requirements. For budgetary purposes, state aid equals the amount shown on the 2003-04 SA1NET in the Special Revenue Fund Aid section. For GAAP financial reporting, revenue equals the amount reported on the 2003-04 SA1NET increased by the first cash payment of July 2003 and decreased by the last state aid payment for June 30, 2004 (paid in July 2004, but not recognized until the subsequent year).

DEPA is a restricted state aid that is accounted for in the special revenue fund. Programs operate from July 1<sup>st</sup> to June 30<sup>th</sup>. Unexpended or unencumbered funds at June 30<sup>th</sup> shall be classified as deferred revenue and 1) appropriated in the subsequent year when identified prior to the preparation of the subsequent year budget, 2) appropriated during the subsequent year with the approval of the Commissioner, or 3) retained as deferred revenue until the second subsequent year budget. Funds carried over to the next fiscal year or second subsequent fiscal year must be used at the location that generated the revenue. Carryover of DEPA balances must be in compliance with procedures described in the DOE memo dated October 19, 2001 for non Abbott districts.

Transfers of DEPA must have been in compliance with procedures described in the DOE DEPA and ECPA Revisions and Transfers memo dated October 19, 2001 for non-Abbott districts. There should be no carryover of district wide DEPA and no transfers of ECPA to DEPA.

### III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

#### A. TYPES OF SERVICES ALLOWED OR UNALLOWED

##### 1. Compliance Requirement

DEPA must be utilized exclusively for demonstrably effective programs in the schools for which the aid eligibility and an amount were determined. These programs, strategies or services are either expressly identified in *N.J.S.A. 18A:7F-18* or are approved by the State Board in accordance with *N.J.A.C. 6A:23-5.5(a)* or *6:8-9.8(b)*. The Budget Guidelines contains a listing of demonstrably effective programs/services. Such programs are to be documented on a school-level operational plan that has been approved by the department.

##### Suggested Audit Procedure

- Verify the existence of demonstrably effective programs and that the expenditures are consistent with those outlined in the school-level operational plan.

#### B. ELIGIBILITY

##### 1. Compliance Requirement

All school districts with schools with specific concentrations of low-income students are eligible based on filing the annual Application for State School Aid (A.S.S.A.). The district must complete the A.S.S.A. in accordance with the instructions provided by the Division of Finance. The district must complete a set of workpapers that document the compilation of data and provides an audit trail for testing the enrollments reported on the A.S.S.A. The district must also have on file written internal procedures that provide a description of the count process. The workpapers, original supporting documentation and internal procedures must be maintained on file for seven years.

Suggested Audit Procedure

- In accordance with instructions and audit procedures in The Audit Program issued by the Department of Education, verify enrollments reported on the district's A.S.S.A. printout with the pupil counts on the district's workpapers.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirement

If the expenditures incurred by the school district by location are less than the amount of DEPA for that location, unexpended or unencumbered funds must be carried over and expended in the subsequent fiscal year when identified prior to the preparation of the subsequent year budget, appropriated during the subsequent year with the approval of the Commissioner or his or her designee, or retained as deferred revenue until the second subsequent year budget. All DEPA deferred revenue must be used for approved demonstrably effective programs, strategies or services pursuant to N.J.A.C. 6A:23-5.5(a) at the location that generated the revenue.

Suggested Audit Procedure

- Verify that any unexpended funds are properly reflected as DEPA deferred revenue at year-end.
- Verify that accurate DEPA carryover balances were utilized (by location) in the 2003-04 records and/or adjustments were made if the estimated amount anticipated was incorrect.
- If the district adjusted the anticipated carryover budgeted in 2003-04 or requested the use of unanticipated carryover in the 2003-04 budget, verify that there was proper authorization by board resolution and that DOE approval was obtained on the 2002-03 Carryover Funds form.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

Pursuant to N.J.A.C. 6A:23-5.5(b) eligible districts are required to prepare and submit budgetary supporting documentation and a school-level operational plan to the department for approval as part of the budget review process. The operational plan shall include goals, objectives, activities, annual benchmarks and an evaluation process.

The district's June 30 Comprehensive Annual Financial Report must contain DEPA budgetary comparison schedules for each location as well as a district-wide summary statements. In addition, a summary of the 2002-03 DEPA carryover included in the 2003-04 budget compared to the actual carryover calculated at June 30, 2003 is required. Beginning in 2003-04, districts are no longer required to budget and account for in their financial records appropriations by program/strategy, only by school. The total DEPA deferred revenue per the district-wide schedule may differ from the DEPA deferred revenue reported on the Schedule of Expenditures of State Financial Assistance (Schedule B) due to the adjustment for the last state aid payment. If the adjustment for the last state

aid payment brings the amount below zero, the difference will fall to a deficit in the fund balance.

Suggested Audit Procedures

- Review plans for compliance with reporting procedures and due dates.
- Test amounts reported with accounting records.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirements

Districts receiving DEPA are required to account for funds received at the school-level in the special revenue fund using the uniform grant project budget statement coding structure. All board approved transfers and plan revisions must be documented on a transfer notification form, and prior written approval from the department must be obtained when necessary. For the Abbott districts, all applicable transfers and plan revisions must be approved by the department. For non-Abbott districts, the transfer notification form must be submitted to the county superintendent for review and, if necessary, approval. See The Audit Program for specific requirements.

Suggested Audit Procedures

- Verify that the aid is recorded in the special revenue fund on the district's accounting records by location.
- Review board minutes for approval of transfers and revisions.
- Verify that the transfer notification forms are on file and written approval was obtained when necessary and that transfers are in compliance with the above requirements.

2. Compliance Requirement

Expenditures, which exceed the bid or quote threshold, must be made in accordance with the requirements of the Public School Contracts Law (*N.J.S.A. 18A:18A et seq.*). Please refer to Section I, Chapter 5, "Bids & Contracts/Purchasing" of The Audit Program.

Suggested Audit Procedure

- Test expenditures to determine compliance with advertising for bids and obtaining quotes as required by *N.J.S.A. 18A:18A-3, 18A-4 and 18A-37*.

**DEPARTMENT OF EDUCATION**  
**Early Childhood Program Aid and Preschool Expansion Aid**

495-034-5120-025

495-034-5120-055

**I. PROGRAM OBJECTIVES**

The program objectives have been to establish preschool and full-day kindergarten programs for all four and five year-olds by the 2002-03 school year in districts with high concentrations of low-income students and to maintain them thereafter. Districts with a concentration of low-income students equal to or greater than 20% of the total enrollment must provide preschool and full day kindergarten for all four and five year olds and other early childhood programs and services. Districts with a concentration of low-income students greater than 40% may expand instructional services to three year-olds or provide transition and social services to primary grade students after the above programs are provided to all five and four year-olds.

For 2003-04, districts received Preschool Expansion Aid amounts which were to be used to fund the increase in approved budgeted costs from 2001-02 to 2003-04 for the projected expansion of preschool programs in Abbott districts. Districts were notified of any adjustments to this aid based on audit by the department. The Preschool Expansion Aid was to be recorded as Other State Aid in the general fund and transferred to the special revenue fund to fund programs for three and four year olds. These expenditures are not separately tracked but are audited as part of the entire Early Childhood Program expenditures in the special revenue fund.

*Auditor's Note – This italicized section applies when auditing a district with whole school reform (WSR) schools. Restricted State Aids, which are permitted to be combined in Fund 15 to implement whole school reform, are DEPA, ECPA and DLNA. (DLNA is limited to carryover as it has been combined into Consolidated Aid for 2003-04.) See "Procedures for Auditing Fund 15 Expenditures" in the Abbott Addendum to The Audit Program for specific procedures to be performed when auditing districts with WSR schools.*

*A WSR program is not a separate Federal program as defined in OMB A-133, or a separate State program. Therefore, expenditures incurred in WSR programs must be included in the total expenditures of the program contributing the funds when determining Type A and Type B Programs for Single Audit testing selection determination. The Schedules of Expenditures of Federal and State Awards must include the total expenditures of the program funds for WSR schools and non-WSR schools.*

**II. PROGRAM PROCEDURES**

Under CEIFA, Early Childhood Program Aid (ECPA) is calculated for districts with high concentrations of low-income pupils as reported on the annual Application for State School Aid (A.S.S.A.). Low-income pupils are pupils from households with a household income at or below 130 percent of the most recent federal poverty guidelines. Aid is only provided to districts other than county vocational school and limited purpose regional school districts with a concentration of low-income pupils equal to or greater than twenty percent. Additionally, CEIFA requires that county vocational school districts and limited purpose regional school districts meeting the criteria for ECPA receive their aid as Demonstrably Effective Program Aid (DEPA) rather than as ECPA.

For Fiscal Year 2003-04, ECPA was level-funded based on funds disseminated in school year 2002-03. Districts' revenue is based upon 2002-03 cash payments. The budgetary revenue and GAAP revenue may differ due to state reporting requirements. For budgetary purposes, state aid equals the amount shown on the 2003-04 SA1NET in the Special Revenue Fund Aid section. For GAAP financial reporting, revenue equals the amount reported on the 2003-04 SA1NET increased by the first cash payment of July 2003 and decreased by the last state aid payment for June 30, 2004 (paid in July 2004, but not recognized until the subsequent year).

ECPA is a restricted state aid that is accounted for in the special revenue fund. Programs operate from July 1<sup>st</sup> to June 30<sup>th</sup>. Unexpended or unencumbered funds at June 30<sup>th</sup> shall be classified as deferred revenue and 1) appropriated in the subsequent year when identified prior to the preparation of the subsequent year budget, 2) appropriated during the subsequent year with the approval of the Commissioner, or 3) retained as deferred revenue until the second subsequent year budget.

Carryover of ECPA balances must be in compliance with procedures described in the DOE DEPA/ECPA carryover memo dated October 19, 2001 for non Abbott districts. Transfers and revisions of ECPA must be in compliance with the DOE memos on procedures for review and approval of ECPA/DEPA revisions and transfers (October 19, 2001 memo for non Abbott districts).

### III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

#### A. TYPES OF SERVICES ALLOWED OR UNALLOWED

##### 1. Compliance Requirements

The school district was required to establish preschool and full-day kindergarten for all four and five year-olds by the 2002-03 school year and maintain them thereafter. ECPA capital reserves were to be used by 2000-01 except in the limited situations where a district had an approved DOE lease purchase. At June 30, 2004, no district should have funds remaining in the ECPA capital reserve account.

##### Suggested Audit Procedures

- Verify the existence of early childhood programs and that the expenditures are consistent with those outlined in the Early Childhood Operational Program Plan
- Verify that the district did not have any balance in the ECPA capital reserve account at June 30, 2004.

#### B. ELIGIBILITY

##### 1. Compliance Requirements

All school districts with specific concentrations of low-income students are eligible based on filing the annual Application for State School Aid (A.S.S.A.). The district must complete the A.S.S.A. in accordance with the instructions provided by the Division of Finance. The district must complete a set of workpapers that document the compilation of data and provides an audit trail for testing the enrollments reported on the A.S.S.A. The district must also have on file written internal procedures that provide a description of the count process.

The workpapers, original supporting documentation and internal procedures must be maintained on file for seven years.

Suggested Audit Procedure

- In accordance with instructions and audit procedures in The Audit Program issued by the Department of Education, verify enrollments reported on the district's A.S.S.A. printout with the pupil counts on the district's workpapers.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

If the expenditures incurred by the school district are less than the amount of Early Childhood Program Aid, unexpended or unencumbered funds must be carried over and 1) expended in the subsequent fiscal year when identified prior to the preparation of the subsequent year budget, 2) appropriated during the subsequent year with the approval of the Commissioner or his or her designee, or 3) retained as deferred revenue until the second subsequent year budget. All deferred revenue must be used for the purpose of early childhood programs.

Suggested Audit Procedure

- Verify that any unexpended or unencumbered funds are properly reflected as ECPA deferred revenue at year-end.
- Verify that the accurate ECPA carryover balance was utilized in the 2003-04 records and/or an adjustment was made if the estimated amount anticipated was incorrect.
- If the district adjusted the anticipated carryover budgeted in 2003-04 or requested the use of unanticipated carryover in the 2003-04 budget, verify that there was proper authorization by board resolution and that DOE approval was obtained on the 2002-03 Carryover Funds form.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

Eligible districts are required to submit fiscal and program operational plans to the county superintendent for review and approval.

The district's June 30, 2004 Comprehensive Annual Financial Report must contain a schedule of ECPA expenditures, including a summary of the 2003-04 ECPA carryover included in the 2004-05 budget compared to the actual carryover calculated at June 30, 2004.

Suggested Audit Procedures

- Review plans for compliance with reporting procedures and due dates.
- Test amounts reported with accounting records.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirements

All board approved transfers and plan revisions must be documented on a transfer notification form, and prior written approval from the department must be obtained when necessary. For the Abbott districts, all applicable transfers and plan revisions must be approved by the department. For non-Abbott districts, the transfer notification form must be submitted to the county superintendent for review and, if necessary, approval. See The Audit Program for specific requirement. ECPA must be budgeted and accounted for in the special revenue fund using the uniform grant project budget statement coding structure.

Suggested Audit Procedures

- Verify that the aid is recorded in the special revenue fund on the district's accounting records and approved budget.
- Review board minutes for approval of transfers and revisions.
- Verify that the transfer notification forms are on file and written approval was obtained when necessary and that all transfers are in compliance with the above requirements.

2. Compliance Requirement

Expenditures which exceed the bid or quote threshold must be made in accordance with the requirements of the Public School Contracts Law, *N.J.S.A. 18A:18A et seq.* Please refer to Section I, Chapter 5, "Bids & Contracts/Purchasing", of The Audit Program.

Suggested Audit Procedure

Test expenditures to determine compliance with advertising for bids and obtaining quotes as required by *N.J.S.A. 18A:18A-3, 18A-4 and 18A-37*.



## DEPARTMENT OF EDUCATION

### Distance Learning Network Aid (Carryover)

495-034-5120-051

#### I. PROGRAM OBJECTIVES

Distance learning is a term that describes the building of electronic communities for sharing resources, experiences and instructional opportunities among school children and teachers. *For 2003-04, Distance Learning Network Aid (DLNA) is limited to carryover since this form of aid has been combined into Consolidated Aid.* The goal of DLNA has been to ensure that every student in New Jersey has access to a wide array of electronic services through a statewide, integrated information delivery system for achievement of the Core Curriculum Content Standards.

Details on the Distance Learning Network Aid program are on the department's web site at <http://www.state.nj.us/njded/techno/distlrn/index.html>.

*Auditor's Note – This italicized section applies when auditing a district with whole school reform (WSR) schools implementing school based budgeting. Restricted State Aids, which are permitted to be combined in Fund 15 to implement WSR, are DEPA, ECPA and DLNA Carryover. See "Procedures for Auditing Fund 15 Expenditures" in the Abbott Addendum to The Audit Program for specific procedures to be performed when auditing districts with WSR schools.*

*A WSR program is not a separate Federal program as defined in OMB A-133, or a separate State program. Therefore, expenditures incurred in WSR programs must be included in the total expenditures of the program contributing the funds when determining Type A and Type B Programs for Single Audit testing selection determination. The Schedules of Expenditures of Federal and State Awards must include the total expenditures of the program funds for WSR schools and non-WSR schools.*

#### II. PROGRAM PROCEDURES

Districts may have carryover funding from 2002-03 which is subject to the audit procedures in this section of the *Compliance Supplement*, but would have no new DLNA. For 2003-04 the first state aid payment received in July, 2003 represents payment of the preceding year's budgetary receivable. For GAAP purposes, funds received during 2003-04 are recorded and reported as revenue for 2003-04.

Distance Learning Network aid required that every school district have an updated, approved long-range district technology plan. These long-range technology plans address major components associated with technology implementation including: goals, objectives and implementation strategies for infusing distance learning activities with appropriate curriculum. In June 2001, every school district in the state submitted a required biennial updated version of their long-range technology plan to the Department of Education for the period July 1, 2001 to June 30, 2004. The federal program, No Child Left Behind (NCLB), requires updated district technology plans as well. Therefore, any district which received formula or discretionary NCLB funding was required to update their plan in 2002-2003. Districts subsequently updated their technology plans through 2004.

### III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

#### A. TYPES OF SERVICES ALLOWED OR UNALLOWED

##### 1. Compliance Requirements

All expenditures from Distance Learning Network Aid must support distance learning activities and services to assist all pupils in achieving New Jersey's Core Curriculum Content Standards. Allowable expenditures are listed on the accompanying list as well as on the department's web site <http://www.state.nj.us/njded/techno/distlrn/index.html>

Funds may be used to purchase items on the accompanying list. The only administrative costs that are considered allowable are those directly related to the distance learning activities and services that are provided to assist all pupils in achieving the standards.

Distance Learning Network Aid is intended to supplement rather than supplant existing district technology plans. It may be used for the lease or purchase of additional technology items but may also be used to make payments under existing lease agreements that were initiated no earlier than July 1, 1996. (See accompanying list.)

The provisions of the Public School Contracts Law (*N.J.S.A. 18A:18A et seq.*) are applicable. Please refer to Section I, Chapter 5, "Bids & Contracts/Purchasing", of The Audit Program.

##### Suggested Audit Procedures

- Review for allowable program activities and expenditures for technology-related equipment.
- Perform appropriate sampling of expenditures and related records.
- Ensure expenditures are in accordance with the program objectives and appropriate line item budget category.

#### B. ELIGIBILITY

##### 1. Compliance Requirements

Each school district is eligible to receive the funding.

Districts with sending and receiving relationships may expend Distance Learning Network Aid for those resident pupils sent to another district as tuition. This option was included to allow the movement of the funds along with the child.

For non-operating districts, the entire aid will be expended for tuition and should be shown as tuition expenditure in the year of the aid.

For all other sending and receiving relationships, the transfer of the aid with the pupil to the receiving district is optional. The maximum that should be shown, as a tuition expenditure is the lesser of \$44 per pupil multiplied by the sum of the number of regular full-time sent plus 1/2 of the regular shared-time sent per the district's projected 10/15/03 resident enrollment or the amount received by the

district. The transfer of funds is not required for other than non-operating districts. The receiving district will be responsible for expending the tuition receipts for the designated purpose.

Districts receiving the pass through funds in the form of tuition from sending districts must show that portion of the Distance Learning Network Aid separately in the Schedule of Expenditures of State Financial Assistance under the heading of pass-through grants. The allocation of the actual expenditures between direct aid for the district's own resident enrollment and the pass-through funds in the schedule is at the discretion of the district. However, the total of the direct funding and pass-through funding must agree with the total grant expenditure reported in the special revenue fund statement of revenues and expenditures.

Suggested Audit Procedures

- Verify that the aid is expended by the eligible agency.
- If district has a sending/receiving relationship, verify which option was selected for the movement of the funds.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

If the expenditures incurred by the school district are less than the amount of Distance Learning Network Aid received, **unexpended funds must be carried over and expended in subsequent fiscal years for allowable program expenditures.**

Suggested Audit Procedure

- Verify that any unexpended funds are reflected as deferred revenue at year-end.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

Funds must be accounted for in the special revenue fund and be budgeted in revenue account # 20-3213 as "Distance Learning Network Aid" and included in appropriation accounts 20-213-XXX-XXX as "Distance Learning Network Aid."

Suggested Audit Procedures

- Review programmatic and fiscal monitoring reports for compliance with reporting requirements and accounting records.

E. SPECIAL TESTS AND PROVISIONS

None.

**DISTANCE LEARNING NETWORK AID**  
**Allowable Expenditures**  
**EXAMPLES**

- Beginning in fiscal year 2001-02, it was no longer required that at least one-third of the total funding amount be spent on capital expenditures.
- There is no limitation or state approval necessary regarding the carrying forward of DLN Aid.
- These funds can be moved between accounts as long as they comply with budget regulations.
- Leases are allowable.

Examples of Equipment (including those acquired under a capital lease)

- Computers
- Servers
- Digital and video cameras
- Projection devices and other peripheral equipment shared by computer systems
- Data communications systems
- Local area networks (including multiple connects for every classroom)
- Wide area network:
  - High-speed network links that connect schools together in each district
  - High-speed Internet connection serving all schools in each district
- Satellite dish
- Distance learning video conferencing classroom equipment
- Transportable video conferencing system (cart-based interactive video equipment)
- Video conferencing equipment (e.g., PictureTel, V-Tel, Proshare, Swift Site)
- Routers and codecs
- Audio conferencing equipment

Examples of Facilities Modification (retrofitting)

- Wiring for telecommunications and video systems (e.g., copper [category 5], coaxial, fiber optic)
- Wiring for electrical capacity
- On-premises telephone switch

Examples of Other Allowable Expenditures

- Professional Development Opportunities Associated With Distance Learning Activities and Technology Implementation
- Access Fees, including Internet Service Providers
- Web Site-Development and Management
- Software And Supplies (to maximize the benefits of distance learning activities)
- Maintenance for Technology Equipment
- Staffing such as Professionals to Support Educational Technology Activities (e.g., technology director, school-based technology coordinator)

Notes:

The only administrative costs that are considered allowable are those directly related to the distance learning activities and services that are provided to assist all pupils in achieving the standards.

It is recommended that for every dollar spent on equipment, at least 30 cents be allocated for staff development for using that equipment effectively in the instructional process.

## DEPARTMENT OF EDUCATION

### Instructional Supplement Aid

495-034-5120-029

#### I. PROGRAM OBJECTIVES

The program objectives are to provide supplemental services for students from low-income families, the same purpose as Demonstrably Effective Program Aid. Supplemental services are demonstrably effective programs, strategies or services which are either expressly identified in *N.J.S.A. 18A:7F-18* or approved by the State Board in accordance with *N.J.A.C. 6A:23-5.5* or 6:8-9.8(b). Funds are used for instructional and support services activities.

#### II. PROGRAM PROCEDURES

Under CEIFA, Instructional Supplement Aid is generated by school districts and county vocational school districts in which the concentration of low-income pupils based on filing the annual Application for State School Aid (A.S.S.A.) is equal to or greater than 5% and less than 20%. Low-income pupils are pupils from households with a household income at or below 130 percent of the most recent federal poverty guidelines. For Fiscal Year 2003-04, Instructional Supplement Aid was level-funded based on funds disseminated in school year 2002-03. Districts' revenue is based upon 2002-03 cash payments. The budgetary revenue and GAAP revenue may differ due to state reporting requirements. For budgetary purposes, state aid equals the amount shown on the 2003-04 SA1NET in the Special Revenue Fund Aid section. For GAAP financial reporting, revenue equals the amount reported on the 2003-04 SA1NET increased by the first cash payment of July 2003 and decreased by the last state aid payment for June 30, 2004 (paid in July 2004, but not recognized until the subsequent year).

Instructional Supplement Aid is a restricted aid that is accounted for in the special revenue fund. Programs operate from July 1 to June 30<sup>th</sup>. Unused funds may be carried over to the next fiscal year.

#### III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

##### A. TYPES OF SERVICES ALLOWED OR UNALLOWED

##### 1. Compliance Requirement

Instructional Supplement Aid is available to provide supplemental services for students from low-income families. Allowable supplemental services are those demonstrably effective programs, strategies or services either expressly identified in *N.J.S.A. 18A:7F-18* or approved by the State Board in accordance with *N.J.A.C. 6A:23-5.5* or 6:8-9.8(b). Districts are not required to track expenditures by individual program and the expenditure of funds is not restricted to the location that generated the revenue.

##### Suggested Audit Procedure

- Verify the existence of supplemental services.

B. ELIGIBILITY

1. Compliance Requirement

All school districts and county vocational school districts with specific concentrations of low-income students are eligible based on filing the annual Application for State School Aid (A.S.S.A.). The district must complete the A.S.S.A. in accordance with the instructions provided by the Division of Finance. The district must complete a set of workpapers that document the compilation of data and provides an audit trail for testing the enrollments reported on the A.S.S.A. The district must also have on file written internal procedures that provide a description of the count process. The workpapers, original supporting documentation, and internal procedures must be maintained on file for seven years.

Suggested Audit Procedure

- In accordance with instructions and audit procedures in The Audit Program issued by the Department of Education, verify enrollments reported on the district's A.S.S.A. printout with the pupil counts on the district's workpapers.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirement

If the expenditures incurred by the school district are less than the amount of Instructional Supplement Aid, unexpended or unencumbered funds must be carried over and expended in the subsequent fiscal year for allowable program expenditures.

Suggested Audit Procedure

- Verify that any unexpended funds are reflected as deferred revenue at year-end.

D. REPORTING REQUIREMENTS

None.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirement

Instructional Supplement Aid must be budgeted and accounted for in the special revenue fund using the instruction and support services functions of the uniform grant project budget statement coding structure.

Suggested Audit Procedure

- Verify that the aid is recorded in the special revenue fund on the district's accounting records and approved budget.

2. Compliance Requirement

Expenditures which exceed the bid or quote threshold must be made in accordance with the requirements of the Public School Contracts Law (*N.J.S.A. 18A: 18A et seq.* Please refer to Section I, Chapter 5, “Bids & Contracts/Purchasing”, of The Audit Program.

Suggested Audit Procedure

- Test expenditures to determine compliance with advertising for bids and obtaining quotes as required by *N.J.S.A. 18A: 18A-3, 18A-4 and 18A-37*.

## DEPARTMENT OF EDUCATION

### Character Education Aid

495-034-5120-053

#### I. PROGRAM OBJECTIVES

The program objectives are to provide funds to assist public school educators to adopt validated character education programs that will meet the developmental needs of students by promoting pro-social student behaviors and creating caring, disciplined school climates conducive to learning.

#### II. PROGRAM PROCEDURES

For the fourth year of the *New Jersey Character Education Partnership (NJCEP) Initiative*, the Governor's FY 2004 budget provided \$4.75 million for school district implementation and expansion of character education programs and services during the 2003-04 school year. All public school districts, approved charter schools, educational services commissions, special services school districts, jointure commissions, Katzenbach School for the Deaf, and state facilities were eligible for a minimum of \$4,000 in state aid for fiscal year 2004 to implement and/or expand character education programs. School districts with enrollments above approximately 1400 students received additional funds based on student enrollment data. Payments for character education aid were made in September 2003 to all districts. School districts were required to submit an application to the Office of Program Support Services prior to expending the funds. School districts could elect not to participate and were required to refund the full allocation to the state.

Any carry-over funds from fiscal year 2003 can be carried over and must be expended by June 30, 2004 for a purpose consistent with the character education initiative. No formal permission or request to the Department is required to carry-over funds. If a district received more than sufficient funds to implement a program, the use of the additional funds was restricted for use in the implementation and/or expansion of character education programs in other buildings. Additionally, surplus funds were restricted for the maintenance or expansion of existing character education programs.

#### III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

##### A. TYPES OF SERVICES ALLOWED OR UNALLOWED

##### 1. Compliance Requirements

Funds must be used solely for the direct support of character education programs, services, and activities. Specifically, funds may be used for such items as: purchase of character education curriculum materials and educational supplies; printings and mailings related directly to the initiative; refreshments for a related event; staff development and training (to include costs for staff to attend workshop trainings after school hours and/or costs incurred for substitute coverage in order for district staff to attend trainings); purchase of general assembly programs for students/parents/staff/community members; participation at local, state sponsored and national character education conferences and workshops (to include registration fees, hotel, mileage, meals, etc.); appropriate



materials for service learning projects; teacher guides, and purchase of professional technical services, assessment surveys, and character education promotional materials such as pens, pads, posters, videos, tee-shirts, hats, etc.

Suggested Audit Procedure

- Review the application for NJCEP funding and determine that the program(s) and building(s) for which expenditures were made are consistent with the application.
- Verify that funds were used for the direct support of character education programs, services, and/or activities.

B. ELIGIBILITY

1. Compliance Requirements

All school districts, approved charter schools, educational services commissions, special services school districts, jointure commissions, Katzenbach School for the Deaf, and state facilities were eligible for funds, but were required to complete and submit the *New Jersey Character Education Partnership (NJCEP) Initiative Application for State Aid Funding*. Department approval of a district's application was required prior to the district expenditure of the funds.

Suggested Audit Procedures

- Verify that the school district received an approval letter from the department prior to expenditure of the funds.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

1. Compliance Requirement

Districts are to complete and submit a *Character Education Project Outcomes Report* form to the Office of Program Support Services. Districts participating in the fourth year initiative will receive notice in late spring 2004 about the deadline for submission.

Suggested Audit Procedures

- Determine that the Character Education Project Outcomes Report was completed and submitted on a timely basis.

2. Compliance Requirement

Character Education Aid is identified in the special revenue fund as restricted state aid. The revenue code is 20-3290, Other Special State Projects. The

program code range is 431-499, Other State Projects. Districts could assign their own program codes depending upon what other programs are implemented in the district.

Suggested Audit Procedures

- Verify that the revenue and expenditures were properly classified and recorded in the 2003-04 fiscal year.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirement

If a district elected not to participate in the character education aid program, the district was required to refund the amount received to the State.

Suggested Audit Procedure

- Verify that the refunded amount agrees with the amount received in July 2003.
- Determine that a refund to the State was recorded correctly.

**DEPARTMENT OF EDUCATION**

**Nonpublic Textbook Aid**

100-034-5120-064

I. **PROGRAM OBJECTIVES**

To provide funds to school districts for the purchase of textbooks for loan to pupils enrolled in a nonpublic school located within the district.

II. **PROGRAM PROCEDURES**

Nonpublic schools must forward their requests for textbooks to the school districts on or before March 1 for the next school year. Districts should have received full payment of state aid no later than July 31. The amount of state aid shall not exceed the State average budgeted textbook expense per public school pupil, for each student enrolled in grades kindergarten through 12 of a nonpublic school on the last school day prior to October 16 of the preceding year.

III. **COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

A. **TYPES OF SERVICES ALLOWED OR UNALLOWED**

1. **Compliance Requirements**

The textbooks that are loaned to students in grades kindergarten through 12 of any nonpublic school, shall be textbooks used in any public school of the state, or approved by any board of education.

The textbooks are to be loaned without charge, subject to rules and regulations approved by the board. These rules may contain requirements for reimbursement by nonpublic pupils to the school district for loss, damage or destruction of loaned textbooks. (*N.J.S.A. 18A:58-37.3, 18A:58-37.4, N.J.A.C. 6A:23-6.6*)

**Suggested Audit Procedures**

- Verify that the textbooks, which are loaned to nonpublic school pupils, are approved for use by the board.
- Verify that the school district loans textbooks without charge to nonpublic school pupils.
- Verify that charges for loss, damage or destruction of loaned textbooks to nonpublic school pupils are also applicable to public school pupils.

B. **ELIGIBILITY**

1. **Compliance Requirements**

A school district is eligible to receive state aid for the purchase and loan of textbooks to nonpublic school pupils.

The nonpublic school pupils must be residents of the state and attend a nonpublic school located within the district. In addition, the parents or legal guardians must maintain a residence in the state. (*N.J.S.A. 18A:58-37.5, N.J.A.C. 6A:23-6.1*)

Suggested Audit Procedures

- Verify by testing the residency status of the pupils, parents or legal guardians and that the nonpublic school, which received the textbooks, is located within the district.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

A school district is not required to expend funds for the purchase and loan of textbooks in excess of the amount of state aid received. (*N.J.S.A. 18A:58-37.3*)

If the expenditures incurred by the school district for the purchase and loan of textbooks is less than the amount of state aid received, unexpended funds must be refunded to the state after the completion of the school year, but no later than December 1. (*N.J.S.A. 18A:58-37.7*)

The cost of textbooks for nonpublic school pupils must be entered in a separate line account. (*N.J.A.C. 6A:23-6.5*)

Suggested Audit Procedures

- Verify funds were expended for the purchase of textbooks for nonpublic school pupils.
- Verify that any unexpended funds were returned by the school district to the state no later than December 1 for the prior school year.
- Verify and compute the unexpended balance for the current year under audit.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The school district shall maintain an accounting system for nonpublic programs and file an annual End of the Year Report which details the amount expended for nonpublic school pupils serviced by the school district. (*N.J.A.C. 6A:14-6.3 and 6A:14-6.4*)

Suggested Audit Procedures

- Verify that the school district maintains a separate account for recording expenditures for eligible purchases for nonpublic school pupils.

- Verify that the End of the Year Report is filed timely and agrees with the school district's supporting documentation.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirements

All textbooks purchased for nonpublic school pupils shall remain the property of the school district, and the label on each book shall indicate ownership.

The school district is responsible for the collection and inventory of textbooks and may require the textbooks to be returned to the school district at the end of the school year or allow the nonpublic schools to store the textbooks. The school district shall not pay storage charges to the nonpublic school. (*N.J.A.C. 6A:23-6.4*)

Suggested Audit Procedures

- Verify by testing that textbooks are properly labeled and stored in the district. If the textbooks are stored in the nonpublic schools verify that the school district does not pay storage charges.

## DEPARTMENT OF EDUCATION

### Nonpublic Auxiliary Services Aid (Chapter 192)

100-034-5120-067

#### I. PROGRAM OBJECTIVES

School districts receive funds to provide Compensatory Education, English as a Second Language and home instruction to nonpublic school pupils who meet the eligibility criteria for these programs.

#### II. PROGRAM PROCEDURES

The school district must file an application for funds by November 5, which includes the number of pupils identified as eligible to receive each service during the previous school year.

#### III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

##### A. TYPES OF SERVICES ALLOWED OR UNALLOWED

##### 1. Compliance Requirements

The school district must provide Compensatory Education and English as a Second Language to nonpublic school pupils who meet the eligibility requirements. Services are provided to pupils between the ages of five and twenty, who reside in New Jersey and are enrolled full-time in a nonpublic school within the district. (N.J.S.A. 18A:46A-3)

##### Suggested Audit Procedures

- Verify by testing that pupils receiving auxiliary services have a valid and signed Application for Individual Pupil Services (Form 407-1) on file, with the type of service requested.
- Verify by testing that pupils receiving services are between the ages of five and twenty, reside in New Jersey and are enrolled full-time in a nonpublic school within the district.

##### B. ELIGIBILITY

##### 1. Compliance Requirements

Compensatory Education aid is available for those nonpublic school pupils who score below the minimum levels of proficiency (MLP) established by the New Jersey State Department of Education, as measured by testing conducted in the spring of the previous school year.

The nonpublic school must attach a copy of the pupil's standardized test results to the Form 407-1, must enter the appropriate test score on the form, enter the

appropriate subject area on the form and submit two forms if the pupil is to receive both communications and computation services.

Suggested Audit Procedures

- Take a test sample of 407-1's and determine if nonpublic school pupils meet eligibility criteria, based on test scores which are below the Minimum Level of Proficiency. Verify that required information is included on Form 407-1.
- Verify that the service provided to the nonpublic school pupil is based on service requested on Form 407-1.

2. Compliance Requirements

English as a Second Language aid is available for those nonpublic school pupils who score below the standard level of English proficiency as measured by a standardized test recommended by the New Jersey State Department of Education. The pupil's native language must be other than English.

The parent or guardian must identify the pupil's native language on the Form 407-1. The school district must attach a copy of the test results and record the score on Form 407-1.

Suggested Audit Procedures

- Verify by testing that the eligibility criteria based on the test score is met by nonpublic school pupils.
- Review a test sample of Forms 407-1 and verify that the native language, copy of test results and test score is included on Form 407-1.

3. Compliance Requirements

Home Instruction aid is available for nonpublic school pupils unable to attend school because of illness or injury. The pupil must be unable to attend school for at least two weeks because of illness or injury, and a letter from a physician must verify the illness or injury. Medical evidence must be attached to Form 407-1. Home instruction may be provided for a period not to exceed 60 calendar days in a school year, unless the pupil is classified by the child study team and an IEP indicates the need for home instruction.

Suggested Audit Procedures

- Verify by testing Form 407-1 that pupil is eligible for home instruction services, and that such service does not exceed 60 calendar days, unless such pupil is classified and has a valid IEP which indicates the need for home instruction.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

The school district shall not use more than 6% of the aid received for administration costs, and no more than 18% can be used to rent facilities needed to implement the services. (*N.J.S.A. 18A:46A-8*)

Suggested Audit Procedures

- Review expenditures for administration and rental costs and verify that expenditures are within statutory limits.

2. Compliance Requirements

A school district shall provide Compensatory and English as a Second Language service to nonpublic school pupils at a cost not to exceed the amount of state aid funds. (*N.J.A.C. 6A:14-6.3*)

In the event that expenditures are less than the amount of state aid received, the school district shall refund the unexpended state aid after completion of the school year, but no later than December 1. (*N.J.S.A. 18A:46A-14*)

Suggested Audit Procedures

- Verify expenditures do not exceed the amount of state aid funds, and are for eligible services.
- Verify that the school district refunded the unexpended state aid from the prior school year, and verify the amount of refund, if any, due for the current year.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The school district shall maintain an accounting system for nonpublic programs and file an annual End of the Year Report that details the number of nonpublic school pupils serviced by the school district. (*N.J.A.C. 6A:14-6.3* and *6A:14-6.4*)

Suggested Audit Procedures

- Verify that the school district maintains a separate account for recording expenditures for eligible services for nonpublic school pupils.
- Verify that the End of the Year Report is filed timely and agrees with the school district's supporting documentation.

E. SPECIAL TESTS AND PROVISIONS

None.



## DEPARTMENT OF EDUCATION

### Nonpublic Handicapped Aid (Chapter 193)

100-034-5120-066

#### I. PROGRAM OBJECTIVES

To provide funds to school districts for the purpose of examination and classification of nonpublic school pupils in order to identify a pupil's educational handicap and to prescribe an individual educational plan to address the pupil's needs. Funds are also provided for speech correction and supplemental instruction services for nonpublic school pupils.

#### II. PROGRAM PROCEDURES

The school district must file an application by November 5, which includes the number of nonpublic school pupils identified as eligible to receive examination/classification, speech correction and supplemental instruction services during the previous school year.

#### III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

##### A. TYPES OF SERVICES ALLOWED OR UNALLOWED

###### 1. Compliance Requirements

Examination/classification, speech correction and supplemental instruction services are provided to nonpublic school pupils whose parents or guardians reside in New Jersey. In addition, the pupils must be enrolled full time in a nonpublic school located in the district, be between the ages of 5 and 21, meet the eligibility criteria for service and have parental consent for the service. (N.J.S.A. 18A: 46-6, 18A:46-19.5)

###### Suggested Audit Procedures

- Verify that a valid Application for Individual Pupil Services (Form 407-1) is on file for each nonpublic school pupil indicating the service to be provided.
- Verify that services provided are only for examination/classification, speech correction or supplemental instruction services.

##### B. ELIGIBILITY

###### 1. Compliance Requirements

Examination/classification services are provided for the purpose of identifying those with disabilities and developing Individualized Educational Plans (IEP).

Supplementary Instruction aid and speech correction aid are available for nonpublic school pupils with disabilities who need those services. The pupil must be classified as disabled by the child study team, and an Individual

Educational Plan (IEP) must be on file and indicate the need for supplementary instruction and/or speech correction as appropriate.

Suggested Audit Procedures

- Verify that pupils serviced have an IEP on file that indicates the need for the services rendered (examination/classification supplemental instruction and/or speech correction).
- Review Form 407-1 and verify parental or guardian consent for service provided.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

A school district shall provide services to nonpublic school pupils at a cost not to exceed the amount of state aid funds. (*N.J.A.C. 6A:14-6.3*)

In the event that expenditures are less than the amount of state aid received, the school district shall refund the unexpended state aid after completion of the school year, but no later than December 1. (*N.J.S.A.18A:46-19.8*)

Suggested Audit Procedures

- Verify expenditures do not exceed the amount of state aid funds and are for eligible services.
- Verify that the school district refunded the unexpended state aid from the prior school year, and verify the amount of refund, if any, due for the current year.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The school district shall maintain an accounting system for nonpublic programs and file an annual End of the Year Report that details the number of nonpublic school pupils serviced by the school district. (*N.J.A.C. 6A:14-6.3* and *6A:14-6.4*)

Suggested Audit Procedures

- Verify that the school district maintains a separate account for recording expenditures for examination, classification, speech correction and supplemental instruction services for nonpublic school pupils.
- Verify that the End of the Year Report is filed timely and agrees with the school district's supporting documentation.

E. SPECIAL TESTS AND PROVISIONS

None.

**DEPARTMENT OF EDUCATION**

**Nonpublic Nursing Services Aid (Chapter 226)**

100-034-5120-070

**I. PROGRAM OBJECTIVES**

To provide funds to school districts in order to provide basic nursing services for pupils enrolled full time in nonpublic school(s) located within the school district.

**II. PROGRAM PROCEDURES**

Nonpublic schools must submit their New Jersey resident enrollment as of the last school day prior to October 16 of each year and indicate their intent to participate in the program for the next budget year.

**III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

**A. TYPES OF SERVICES ALLOWED OR UNALLOWED**

**1. Compliance Requirements**

The school district must provide basic nursing services to pupils who meet the eligibility requirements. Services are provided to pupils enrolled in grades kindergarten through 12, who reside in New Jersey and are in a nonpublic school located within the school district.

**Suggested Audit Procedures**

- Verify by testing that pupils receiving services were enrolled in grades kindergarten through 12, reside in New Jersey and are enrolled full-time in a nonpublic school within the school district.

**B. ELIGIBILITY**

**1. Compliance Requirements**

A school district is eligible to receive state aid to provide nursing services to nonpublic school pupils.

**Suggested Audit Procedures**

- Verify by testing the residency status of the pupils, parents or legal guardians and that the nonpublic school is located within the district.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

A school district is not required to expend funds for nursing services in excess of the amount of state aid received. If the expenditures incurred by the school district for nursing services are less than the amount of state aid received, unexpended funds must be refunded to the state after the completion of the school year, but no later than December 1. (*N.J.S.A. 18A:40-31*).

Suggested Audit Procedures

- Verify funds were expended for nursing services for nonpublic school pupils.
- Verify that the school district returned any unexpended funds to the state no later than December 1 for the prior year.
- Verify and compute the unexpended balance for the current year under audit.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The school district shall maintain an accounting system for nonpublic programs and file an annual End of the Year Report which details the amount expended for nonpublic school pupils serviced by the school district. (*N.J.A.C. 6A:14-6.3 and 6A:14-6.4*)

Suggested Audit Procedures

- Verify that the school district maintains a separate account for recording expenditures for eligible services for nonpublic school pupils.
- Verify that the End of the Year Report is filed timely and agrees with the school district's supporting documentation.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirements

Equipment purchased to provide nursing services shall remain the property of the school district, and ownership shall be so marked by labels or other appropriate methods of identification.

Suggested Audit Procedure

- Verify that equipment is properly labeled.

**DEPARTMENT OF EDUCATION**

**Nonpublic Technology Initiative Aid**

100-034-5120-373

**I. PROGRAM OBJECTIVES**

To provide funds to school districts in order to provide technology to all pupils attending a nonpublic school(s) located within the school district.

**II. PROGRAM PROCEDURES**

Nonpublic schools must submit their New Jersey resident enrollment as of the last school day prior to October 16 of each year and indicate their intent to participate in the program for the next budget year. The school district must submit to the county superintendent on or before October 31 of the budget year, (1) a written statement verifying a conference was held with the nonpublic school administrator, and (2) a copy of the agreement between the school district and the nonpublic school and the minutes of the board of education approving such agreement.

**III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

**A. TYPES OF SERVICES ALLOWED OR UNALLOWED**

**1. Compliance Requirements**

The state aid provided to the school district for each participating nonpublic school in the district for the 2003-04 school year is an amount equal to the product of \$40.00 and the number of pupils on roll in the nonpublic school as of October 15, 2003 recorded on the Nonpublic School Enrollment Report.

The technology provided to nonpublic schools must not include providing instructional services directly to nonpublic school students. Allowable expenditures are listed on the accompanying list at the end of this section.

**Suggested Audit Procedure**

- Verify by testing that pupils included on the Nonpublic School Enrollment Report were enrolled full-time in a nonpublic school within the school district.
- Verify funds were expended for allowable technology initiative program expenditures and not expended for instructional services.

B. ELIGIBILITY

1. Compliance Requirements

The school district must submit to the county superintendent on or before October 31 (1) a written statement verifying a conference was held with the nonpublic school administrator, and (2) a copy of the agreement between the school district and the nonpublic school and the minutes of the board of education approving such agreement.

Suggested Audit Procedures

- Verify that the minutes of the board of education approved the agreement to provide technology to the nonpublic school(s).

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

A school district is not required to expend funds for technology services in excess of the amount of state aid received. If the expenditures incurred by the school district for technology are less than the amount of state aid received, unexpended funds must be refunded to the state after the completion of the school year, but no later than December 1.

The funds expended by the school district for the administrative costs related to providing technology for a participating nonpublic school must be limited to five (5) percent of the actual costs of providing the technology for the participating nonpublic school or five (5) percent of the funds allocated to the participating nonpublic school, whichever is less.

Suggested Audit Procedures

- Verify funds were expended for equipment, software, professional development and/or maintenance on equipment purchased.
- Verify that the school district returned any unexpended funds to the state by December 1 for the prior school year.
- Verify and compute the unexpended balance for the current year under audit.
- Verify that administrative costs did not exceed 5% of the actual costs or 5% of the funds allocated to the participating nonpublic school, whichever is less.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The school district shall maintain an accounting system for nonpublic programs and file an annual End of the Year Report which details the amount expended for nonpublic school pupils serviced by the school district.

Suggested Audit Procedures

- Verify that the school district maintains a separate account for recording expenditures for eligible purchases for nonpublic school pupils.
- Verify that the End of the Year Report is filed timely and agrees with the school district's supporting documentation.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirements

Equipment purchased to provide technology shall remain the property of the school district, and ownership shall be so marked by labels.

The school district is responsible for the inventory of the equipment and may require the equipment be returned to the school district at the end of the school year or allow the nonpublic schools to store the equipment. The school district shall not pay storage charges to the nonpublic school.

Suggested Audit Procedures

- Verify by testing that the equipment is properly labeled and stored in the district. If the equipment is stored in the nonpublic schools verify that the school district does not pay storage charges.

2. Compliance Requirement

Expenditures, which exceed the bid or quote threshold, must be made in accordance with the requirements of the Public School Contracts Law, *N.J.S.A. 18A: 18A et seq.* Please refer to Section I, Chapter 5, "Bids & Contracts/Purchasing", of The Audit Program.

Suggested Audit Procedure

- Test expenditures to determine compliance with advertising for bids and obtaining quotes as required by *N.J.S.A. 18A: 18A-3, 18A-4 and 18A-37*.

**NONPUBLIC TECHNOLOGY INITIATIVE AID**  
**Allowable Expenditures**  
**EXAMPLES**

**Equipment (hardware):**

- Computers:
- Multimedia
- Server computers for shared files, electronic mail and world wide web communication
- Digital and Video Cameras
- Projection Devices and other peripheral equipment shared by computer systems
- Data communications systems
- Local area networks (including multiple connects for every classroom)
- Wide area network:
- High-speed network links that connect schools together in each district
- High-speed Internet connection serving all schools in each district
- Satellite Dish
- Distance Learning ITV Classroom (full-motion interactive video classroom system)
- Transportable ITV System (full-motion interactive video equipment on a cart)
- Videoconferencing Equipment (e.g., PictureTel, Proshare, Swift Site)

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**Software:** programs available on disks, CD-ROMs, etc. used as applications in instructional programs.  
Software with a religious theme or content is prohibited.

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**Professional Development:** training that develops and enhances teachers' technology skills for instructional purposes so that teachers effectively use technology with their curriculum (for example, participating in sessions offered by the county-based Educational Technology Training Centers). Professional development training may also be provided to nonpublic school teachers- on-site in a nonpublic school.

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**Maintenance:** contracts or per diem support to make sure equipment purchased and loaned to a nonpublic school by a board of education is maintained and remains usable.



**DEPARTMENT OF EDUCATION**

**Evening School for Foreign Born**

100-034-5062-026

**I. PROGRAM OBJECTIVES**

To provide programmatic and fiscal support to local school districts for instruction to Foreign Born students in English language and in the form of government and the laws of this State and the United States. (*N.J.S.A. 18A:49-3*).

**II. PROGRAM PROCEDURES**

Local school districts submit a letter of intent for the fiscal year, districts receive an allocation notice for not more than \$5,000 and then submit an application to request funding.

**III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

**A. TYPES OF SERVICES ALLOWED OR UNALLOWED**

**1. Compliance Requirement**

Provide English and citizenship training.

**Suggested Audit Procedure**

- Test expenditures and related records.

**B. ELIGIBILITY**

**1. Compliance Requirement**

All school districts are eligible for funds, based upon submitting a letter of intent and application.

**Suggested Audit Procedure**

- Review letter of intent and verify application approval by the department for funding.

**C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS**

**1. Compliance Requirement**

The school district must match 100 percent the amount of funds received from the Department of Education.

**Suggested Audit Procedure**

- Verify the district match for funds received from the department.

D. REPORTING REQUIREMENTS

1. Compliance Requirement

- The school district is required to submit a Final Report to the Department of Education no later than 8/2/04.

Suggested Audit Procedure

- Verify that the Final Report was filed.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirement

The school district is required to maintain separate accounting records for revenue and expenditures in the Special Revenue Fund.

Suggested Audit Procedure

- Verify that the district maintains separate accounting records for the grant.

## DEPARTMENT OF EDUCATION

### Title III Basic State Grants for Vocational Education

495-034-5120-013

#### I. PROGRAM OBJECTIVES

To provide county vocational school postsecondary programs that develop more fully the academic and occupational skills of all segments of the population. The objectives of these grants will principally be achieved through concentrating resources on improving educational programs leading to academic and occupational skill competencies needed to work in a technologically balanced society. (*N.J.S.A.* 18A:54-1 et seq.)

#### II. PROGRAM PROCEDURES

Funds are provided to county vocational schools that do not have PELL students for postsecondary programs through submission of a general application.

#### III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

##### A. TYPES OF SERVICES ALLOWED OR UNALLOWED

##### 1. Compliance Requirements

Grant requirements are to be in compliance with P. L. 105-332, Section 135 and shall provide vocational education programs that are of such size, scope and quality as to be effective; integrate academic and vocational education through a coherent sequence of courses; provide students with strong experience in and understanding of all aspects of an industry; develop, improve or expand the use of technology; provide professional development programs; develop and implement evaluations, including the assessment of how the needs of special populations are being met; initiate, improve, expand, and modernize programs; and link secondary and postsecondary programs. No more than 5 percent of the grant may be used for administrative costs.

The county vocational schools' request for funds must address labor market areas identified by the appropriate Workforce Investment Board (WIB) or other validated local market demands. Eligible recipients may expend funds in any of 14 authorized activities/areas:

- a) Improving or developing new courses
- b) Career guidance and counseling
- c) Teacher preparation programs that assist individuals with experience in business and others in becoming vocational and technical education teachers
- d) Leasing, purchasing, upgrading or adapting equipment
- e) Programs for special populations
- f) Nontraditional training and employment
- g) Work-related experience, such as internships, cooperative education, school-based enterprises, entrepreneurship, and job shadowing
- h) Involving parents, businesses, and labor organizations in the design, implementation, and evaluation of programs

- i) Local education and business partnerships
- j) Vocational student organizations
- k) Mentoring and support services
- l) Family and consumer sciences programs
- m) Vocational and technical education programs for adults and school dropouts to complete their secondary education
- n) Assisting participating students in finding employment and continuing their education

Suggested Audit Procedures

- Verification of submitted data (VEDS), five-year plan (PTM 1500.99) updates, one-year spending plan interim reports and final reports as described in the Perkins One-Year Spending Plan FY 2004 guidelines (PTM 1503.06).

B. ELIGIBILITY

1. Compliance Requirements

County vocational schools offering postsecondary programs.

Suggested Audit Procedures

- Verify that the schools designated meet the eligibility requirements in P. L. 105-332, Section 131(f).

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance requirements

Federal match requirement to the Carl D. Perkins Vocational and Technical Education Act of 1998, P. L. 105-332.

Suggested Audit Procedure

- Verification of the number of non-PELL students.

D. REPORTING REQUIREMENTS

1. Compliance Requirement

The local education agency will be required to submit the following reports:

Enrollments in occupational programs;  
Five-year plan revisions, if applicable;  
One-year spending plan;  
Interim Report; and  
Final Report

Suggested Audit Procedure

- Verify data reported with agency fiscal and programmatic accounting records.

E. SPECIAL TEST PROVISIONS

1. Compliance Requirement

All students in vocational programs must be measured for attainment in occupational competencies as evidenced by results of certification and licensing examinations or nationally recognized examinations including NOCTI or other available tests as described in the New Jersey Program Performance Measures and Standards for Occupational and Technical Programs, 1992, PTM 1167.00.

Suggested Audit Procedure

- Verify pass rate of students in assessment process.

## DEPARTMENT OF EDUCATION

### Debt Service Aid

495-034-5120-017

#### I. PROGRAM OBJECTIVES

To provide aid to school districts for the payment of their current year's debt service.

#### II. PROGRAM PROCEDURES

Under CEIFA for Fiscal Year 2003-04 debt service was calculated based upon budget footnote language in the Appropriations Act for Fiscal Year 2003-04. Debt Service aid is calculated by multiplying the school district's debt service budget (including commissioner approved lease purchase agreements with terms in excess of five years) by its state funded share. Debt Service aid for 2003-04 was adjusted. However, the actual debt service aid revenue and payments for the 2003-04 school year are not adjusted as actual debt service aid adjustments in 2003-04. These adjustments will be made during the 2004-05 school year for both increases and decreases by adding or subtracting the adjustment amount to the 2004-05 entitlement amounts. The accounting records should reflect all 2003-04 debt service aid **increase** adjustments as an accounts receivable and deferred revenue as of June 30, 2004. However, these adjustments (increase or decrease) **should not** be reflected in the budget since all debt service changes are deferred until 2004-05. Any entries made at June 30, 2003 for debt service aid increase adjustments from 2002-03 must be reversed. For fiscal years 2003-04 and 2004-05 state aid, the CEIFA-SA17a and CEIFA-SA17b is the source document. Auditors should refer to the Explanatory Notes for the SA17a and SA17b Reports, Debt Service Aid distributed with the debt service aid printouts. The debt service adjustment amount for fiscal year 2003-04 is printed as a footnote on the SA1NET printout.

#### III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

##### A. TYPES OF SERVICES ALLOWED OR UNALLOWED

##### 1. Compliance Requirements

Debt service aid is a restricted revenue and may only be used for payment of bond interest and principal, and payments for commissioner approved lease purchase agreements in excess of five years. Funds may not be transferred from debt service to any other fund or account group.

##### Suggested Audit Procedures

- Verify that aid is used only for repayment of principal and interest.
- Verify that aid is correctly reflected on school district's accounting records and approved budget.
- Verify that no funds are transferred from debt service to any other fund or account group.

B. ELIGIBILITY

1. Compliance Requirements

All school districts receiving core curriculum standards aid are eligible to receive Debt Service aid. Aid is calculated by multiplying the school district's debt service budget by its state funded share.

Suggested Audit Procedures

- Review the school district's approved budget for debt service and verify appropriations with the accounting records.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

None.

D. REPORTING REQUIREMENTS

None.

E. SPECIAL TESTS AND PROVISIONS

None.

## DEPARTMENT OF EDUCATION

### Discretionary Grant Programs

Adult Basic Skills Grant Program (yr 3/3)	100-034-5062-028
Apprenticeship Coordinator	100-034-5062-032
Agriculture Education Development Initiative	100-034-5062-032
Drug Abuse Education Fund	100-034-5064-147
Drug Abuse Education Fund (yr 2/3)	100-034-5064-147
FFA Statewide Leadership and Admin. Services	100-034-5062-034
Nontraditional Career Resource Center (yr 1/3)	100-034-5062-032
Vocational Student Organizations (yr 4/5)	100-034-5062-032
Provisional Teacher Program (yr 1/1)	100-034-5062-042
Provisional Teacher Program (yr 2/5)	100-034-5062-042
Tech Prep Engineering Science and Technology (yr 5/5)	100-034-5062-042
Youth Transitions to Work Partnership (yr 1/3)	780-034-5062-001
Youth Transitions to Work Partnership (yr 5/5)	780-034-5062-001

*The grantee is required to retain a copy of the approved application, Notice of Grant Opportunity (NGO) and any applicable grant agreement and grant program information.*

#### I. PROGRAM OBJECTIVES

Refer to the Notice of Grant Opportunity (NGO) for specific program objectives.

#### II. PROGRAM PROCEDURES

The grantee must file an application in response to the specifications contained in the NGO. Applications are evaluated by a reader panel and determined eligible for funding. The department, through the issuance of an NGO also solicits non-competitive applications. Applications must conform to program and fiscal parameters indicated in the NGO.

#### III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

##### A. TYPES OF SERVICES ALLOWED OR UNALLOWED

##### 1. Compliance Requirements

Grant program and spending plans are approved by the New Jersey Department of Education (NJDOE) and contained in the grantees approved grant application.

Eligible and ineligible expenditures under this grant are published in the NGO. OMB Circulars for determining cost principles apply as indicated on the Grant Agreement.

##### Suggested Audit Procedures

- Review Grant Agreement for allowable program activities.
- Perform appropriate sampling of expenditures and related records.



- Ensure expenditures are in accordance with program plan and appropriate line item budget category.

B. ELIGIBILITY

1. Compliance Requirements

Specific eligibility requirements are listed in the NGO.

Suggested Audit Procedures

- Verify that grantee meets eligibility requirements.

C. MATCHING, LEVEL OF EFFORT AND/OR EARMARKING REQUIREMENTS

1. Compliance Requirements

Applicable compliance requirements are published in the NGO.

Grantees approved Matching Funds Summary and Expenditure Report commits the grantee to matching grant expenditures.

Suggested Audit Procedures

- Perform tests to determine compliance with published requirements.
- Verify that grantee maintains accurate accounting for matching expenditures where required.

D. REPORTING REQUIREMENTS

1. Compliance Requirements

The grantee must submit program and fiscal reports that include elements indicated in the NGO and according to timelines indicated on page two of the Grant Agreement.

Suggested Audit Procedures

- Review reports for compliance with reporting procedures and due dates.
- Test amounts reported with accounting records.

E. SPECIAL TESTS AND PROVISIONS

1. Compliance Requirement

Per Attachment A: Grant Agreement Terms and Conditions<sup>1</sup>, grantees must request prior approval, under certain conditions, to modify their approved budget and program plan.

Suggested Audit Procedures

- Review procedures for grant agreement modification.
- Verify grantee compliance with modification procedures.

2. Compliance Requirements

A grant recipient that uses grant funds for nonemployee compensation must comply with the terms and conditions detailed in Attachment A: Grant Agreement Terms and Conditions, of the New Jersey State Department of Education Grant Agreement.

Suggested Audit Procedures

- Review procedures for nonemployee compensation.
- Verify that a nonemployee compensation report, as applicable, has been submitted to the department.

3. Compliance Requirements

Per Attachment A: Grant Agreement Terms and Conditions, a grantee that generates program income<sup>2</sup> as a result of receiving a grant, must maintain separate accounts and report such income.

Suggested Audit Procedures

- Review procedures for program income accounting.
- Verify grantee compliance with reporting program income.

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<sup>1</sup> Attachment A: Grant Agreement Terms and Conditions were revised effective July 1, 1997. See [http://www.nj.gov/njded/grants/discretionary/management/attacha\\_b.shtml](http://www.nj.gov/njded/grants/discretionary/management/attacha_b.shtml).

<sup>2</sup> When appropriate, the DOE uses the additional cost use of program income as specified in EDGAR, 80.25, (g)(2).

## **DEPARTMENT OF EDUCATION**

### **Governor's Schools**

100-034-5063-226

Note: This section was formerly included in the Higher Education Compliance Supplement. It is applicable only to audits of the colleges and universities listed below, not to audits of local school districts. Funds are paid by the NJ Department of Education directly to these institutions, not to the local school districts.

#### **I. PROGRAM OBJECTIVES**

The New Jersey Governor's School is a tuition-free residential program, for gifted and talented high school students, that is held on six college campuses for four weeks during the summer. The program permits approximately 400 exceptional New Jersey high school students to pursue certain fields of interest in a challenging environment and stimulates their further achievement by introducing them to similarly motivated colleagues and teachers. The six institutions and their programs are:

- The College of New Jersey - Governor's School of the Arts
- Drew University - Governor's School in the Sciences
- The Richard Stockton College of New Jersey - Governor's School on the Environment
- Monmouth University - Governor's School on Public Issues
- Ramapo College of New Jersey - Governor's School on International Issues
- Rutgers University - Governor's School of Engineering/Technology

A Board of Overseers, members of which are appointed by the Governor hold the Governor's Schools in trust for the citizens of New Jersey. The Board makes recommendations for program implementation and improvement, coordinates programs, reviews budgets, evaluates quality, fosters public awareness, and develops private support for the Governor's Schools.

#### **II. PROGRAM PROCEDURES**

The six institutions annually develop program plans and spending plans, which become the basis for contracts between the institutions and the Department of Education (DOE). Student participants are nominated by their high schools, and their applications are forwarded to the Governor's Office, which selects county finalists. Names of finalists are sent to county school superintendents, who forward them to the Governor's Schools.

### III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

#### A. TYPES OF SERVICES ALLOWED OR DISALLOWED

##### Compliance Requirements

Funds may be used only to support direct program costs. Auditors should refer to the annual contract for specific information. In addition, the policies and recommendations of the Board of Overseers should be reviewed for requirements.

##### Suggested Audit Procedures

- Review institutional records pertaining to students served and services provided.
- Review institutions internal expenditure report.
- Perform appropriate sampling in accordance with generally accepted auditing standards.

#### B. ELIGIBILITY

Only the six institutions listed in I. above are eligible to receive funding under this program.

#### C. MATCHING, LEVEL OF EFFORT, AND/OR EARMARKING PROCEDURES

Refer to annual contract.

#### D. REPORTING REQUIREMENTS

##### Compliance Requirement

Institutions are required to submit annual program plans and spending plans. Auditors should refer to the annual contract for further detail. The requirements of New Jersey Office of Management and Budget (OMB) Circular 04-04 are applicable to this state aid and should be reviewed by auditors.

##### Suggested Audit Procedures

- Review institutional files to verify that appropriate reports have been submitted to the DOE according to contract.
- Review institutional files to verify that DOE staff have approved report submissions.
- Review and verify schedule of Federal and State Financial Assistance. Trace data to supporting documentation.

#### E. SPECIAL TESTS AND PROVISIONS

None.